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Sallyport Commercial Finance, LLC

**UNITED STATES BANKRUPTCY COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**  
**LOS ANGELES DIVISION**

In re:  
  
SHAOQIANG CHEN,  
  
Debtor.

Case No. 2:19-bk-12936-BB

Chapter 7

Adv. Case No.

SALLYPORT COMMERCIAL FINANCE,  
LLC,

Plaintiff,

vs.

SHAOQIANG CHEN, an individual, also known  
as SHAO QIANG CHEN also known as CHEN  
SHAOQIANG also known as STEVE CHEN,

Defendant.

**COMPLAINT FOR:**

- (1) – (4) **Denial of Discharge as to All Debts**  
[11 U.S.C. §§ 727(a)(2)-(5)];  
(5) – (8) **Exception to Discharge of Certain**  
**Debts [11 U.S.C. §§ 523(a)(2)(B),**  
**(2)(A), (4), and (6)]**

Plaintiff, Sallyport Commercial Finance, LLC, a Delaware limited liability company  
("Sallyport" or "Plaintiff") represents and alleges as follows:

**JURISDICTION; VENUE; CONSENT TO ENTRY OF FINAL ORDERS; PARTIES**

1. This adversary proceeding arises out of and relates to the chapter 7 case of *In re Shaoqiang Chen* commenced on March 18, 2019 (the "Petition Date"), by the Debtor Shaoqiang Chen pursuant to his voluntary Chapter 7 petition filed under Title 11 of the U.S. Bankruptcy Code. Carolyn A. Dye has been appointed as Chapter 7 Trustee for the Debtor's bankruptcy estate. The Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C. §§ 157 and 1334. This

1 adversary proceeding is a core proceeding under 28 U.S.C. § 157(b)(2)(A), (I), (J), and (O), and the  
2 Court can and should enter a final judgment. To the extent that certain claims are determined to be  
3 non-core matters, because the core aspects of this adversary proceeding are heavily predominant and  
4 noncore aspects are related to these claims, this Court has authority to hear and determine these  
5 claims. Plaintiff consents to this Court's entry of final orders or judgment.

6 2. This is an action brought under Federal Rules of Bankruptcy Procedure 7001(6), 4004  
7 and 4007 and under 11 U.S.C. §§ 523 and 727 to determine the dischargeability of a certain debt and  
8 to determine discharge of all debts.

9 3. Venue is proper in this district pursuant to 28 U.S.C. § 1409.

10 4. Plaintiff is a Delaware limited liability company with its headquarters in Sugar Land,  
11 Fort Bend County, Texas. Plaintiff is in the business of factoring and holds a duly issued finance  
12 lenders license from the State of California.

13 5. Plaintiff is informed and believes, and based thereon alleges, that Defendant  
14 Shaoqiang Chen is an individual also known as Shao Qiang Chen also known as Steve Chen also  
15 known as Chen Shaoqiang ("Chen" or "Debtor") and that Debtor is a resident of the City of  
16 Hacienda Heights, Los Angeles County, California. Defendant is the debtor in the underlying  
17 chapter 7 bankruptcy case entitled *In re Shaoqiang Chen*, Case No. 2:19-bk-12936-BB.

### 18 SUMMARY

19 6. From 2015 to 2018, Sallyport provided purchase order financing and factoring to  
20 three wholesale seafood businesses that Debtor controlled. These businesses were Yihe Corporation,  
21 a California corporation ("Yihe"), Alaskan Jack's Seafood Corporation, an Alaskan corporation  
22 ("Alaskan Jack's"), and Yihe Seafood Corporation, a British Columbian company ("Yihe Seafood").  
23 Based on its investigation following the defaults of Debtor's businesses to Sallyport, Sallyport is  
24 informed and believes, and on that basis alleges, that, to induce Sallyport to initially finance, and  
25 continue to finance, Debtor's seafood deliveries and operations, Debtor and his agents, among other  
26 things, (i) misrepresented to Sallyport the eligibility of particular accounts receivable for purchase  
27 under their financing agreements with Sallyport, (ii) included false statements in credit insurance  
28 confirmations and other presented to Sallyport to induce Sallyport to fund accounts receivable, and

(iii) misdirected and converted customer payments on accounts receivable that Debtor had caused his businesses to sell and assign to Sallyport.

7. In his underlying Chapter 7 case, Debtor has indicated in his schedules that he is unemployed and not earning income, individually. However, Debtor's schedules and Statement of Financial Affairs omit references to numerous entities that Debtor has managed or controlled, both in connection with the scheme to defraud Sallyport and otherwise. Plaintiff is informed and believes, and based thereon alleges, that Debtor's omissions in his schedules have concealed income or other assets to which the estate is entitled, which Plaintiff is still investigating.

8. Plaintiff is informed and believes, and based thereon alleges, that, at all times herein mentioned, Debtor has maintained, directed, and/or controlled the affairs of Yihe, Alaskan Jack's, and Yihe Seafood, along with Premium Fish, Inc., a California corporation, and Global Fishery Corporation, a California corporation, in service of his schemes to fraudulently elicit funding from Sallyport and convert the proceeds of Sallyport's collateral, and that Debtor has acted by and through these businesses and their principals and employees, as his agents, to accomplish the conduct complained of in this Complaint. At all times, in doing the things herein alleged, Debtor's agents were acting within the course and scope of such agency, service, employment or representation. As of June 20, 2019, Sallyport has incurred losses of, at least, \$1,562,191.97, plus additional attorneys' fees, costs, and other charges, in connection with Debtor's fraudulent representations and omissions to Sallyport.

**BACKGROUND ON FINANCING RELATIONSHIPS BETWEEN SALLYPORT AND  
YIHE, ALASKAN JACK'S, AND YIHE SEAFOOD**

9. Factoring involves the purchase of Accounts (as defined below) from businesses.<sup>1</sup> In factoring, the entity that purchases the Accounts is known as the "Factor" or "Purchaser" of the Accounts. The entity from whom the Factor purchases the Accounts is the "Factoring Client" or

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<sup>1</sup> **Applicable Law.** Article 9 of the Uniform Commercial Code governed the financing transactions at issue here. TEX. BUS. & COM. CODE ANN. § 9.109 (West)(a)(1)-(3); *see also* CAL. COM. CODE § 9109(a)(1)-(3) (identical). Because Sallyport's financing agreements were expressly governed by Texas law, this Complaint includes references to Texas's adoption of Article 9 of the Uniform Commercial Code in explaining Plaintiffs' rights as a secured creditor in this action.

1 “Seller” of the Accounts. The Factoring Client’s customer, who owes payment on the Accounts, is  
2 an “Account Debtor.”

3 10. As a Factor, Sallyport advances funds to its Factoring Clients by purchasing the  
4 Factoring Client’s Accounts.<sup>2</sup> In the dual purchase order financing and factoring facilities that  
5 Sallyport extended to Chen’s businesses, this purchase occurred in two stages. First, Debtor, on  
6 behalf of Yihe, Alaskan Jack’s, or Yihe Seafood, would present to Sallyport purchase orders from  
7 Yihe, Alaskan Jack’s, or Yihe Seafood’s Account Debtors for seafood products. If the purchase  
8 order met certain criteria, Sallyport would advance funds based on an agreed percentage to Debtor’s  
9 supplier for the cost of the seafood necessary to fill the purchase order. Second, after the supplier  
10 filled the purchase order, Yihe, Alaskan Jack’s, or Yihe Seafood would invoice the Account Debtor  
11 and present the invoice, along with the proof of the purchase order’s fulfillment, to Sallyport.  
12 Sallyport could then purchase the Account, if eligible under the terms of the parties’ financing  
13 agreements. And Sallyport would collect the Account directly from the Account Debtor.

14 11. In the factoring relationship, Sallyport takes a security interest in the Factoring  
15 Client’s assets (including but not limited to all of its Accounts) to secure repayment and performance  
16 of the Factoring Client’s obligations to Sallyport. Sallyport also provides notice to all of the  
17 Factoring Client’s customers, i.e., the Account Debtors,<sup>3</sup> that the Factoring Client’s Accounts have  
18 been assigned to Sallyport for payment and that all obligations owed to the Factoring Client are to be  
19 paid directly to Sallyport (including amounts owed on Accounts which the Factor has not  
20 purchased). With respect to the Accounts that the Factor has purchased, once purchased, the  
21 Factoring Client does not retain any legal or equitable interest in the Accounts sold. See TEX. BUS.  
22 & COM. CODE ANN. § 9318(a) (“[a] debtor that has sold an account . . . does not retain a legal or  
23 equitable interest in the collateral sold”); CAL. COM. CODE § 9318(a) (identical). All legal and  
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25 <sup>2</sup> Texas Business and Commerce Code § 9.102(a)(2), in relevant part, defines “[a]ccount” as  
26 “... a right to payment of a monetary obligation, whether or not earned by performance, (i)  
27 for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed  
28 of, [or] (ii) for services rendered or to be rendered....” See also CAL. COM. CODE § 9102  
(identical).

<sup>3</sup> An “Account Debtor” is “a person obligated on an account . . . .” TEX. BUS. & COM. CODE  
ANN. § 9.102(a)(3); see also CAL. COM. CODE § 9102(a)(3) (same).

1 equitable interests in the sold Accounts, including the exclusive right to receive payment from the  
2 Account Debtor, vest with Sallyport.

3 12. Between February 2015 to October 2016, Sallyport entered into a separate written  
4 Account Sale and Purchase Agreement and Trade Financing Addendum with each of Yihe, Alaskan  
5 Jack's, and Yihe Seafood (collectively, the "Financing Agreements"). Pursuant to the Financing  
6 Agreements, each of Yihe, Alaskan Jack's, and Yihe Seafood granted to Sallyport a lien against all  
7 of their assets to secure payment and performance of their obligations to Sallyport under the  
8 Financing Agreements. Plaintiff's security interest was perfected by, among other things, a UCC-1  
9 Financing Statement filed with the California Secretary of State, a UCC-1 Financing Statement filed  
10 with the Office of the Alaska Department of Natural Resources, and a PPSA Security Agreement  
11 registered with the Personal Property Registry of the Province of British Columbia.

12 13. In order to induce Sallyport to enter into the Financing Agreements and make  
13 advances thereunder, Chen executed continuing and irrevocable guarantees, between February 2015  
14 to October 2016, pursuant to which he unconditionally guaranteed the payment and performance of  
15 the obligations of Yihe, Alaskan Jack's, and Yihe Seafood to Plaintiff.<sup>4</sup>

16 **DEBTOR'S APPARENT FRAUD IN THE SALE OF ACCOUNTS TO SALLYPORT**

17 14. Plaintiff is informed and believes and based thereon alleges that, at all times relevant  
18 herein, Debtor is and/or was a member, managing member, manager, officer, director, and/or  
19 employee of Yihe, Alaskan Jack's, and Yihe Seafood, and that Debtor controlled these entities'  
20 business operations, records, and decisions.

21 15. Plaintiff is also informed and believes, and based thereon alleges, that Rita Zhang,  
22 also known as Rita Yang Zhang also known as Yang Rita Zhang ("Rita"), was the operations  
23 manager for Yihe, Alaskan Jack's, and Yihe Seafood, and that, at all relevant times, Rita acted on  
24 behalf of Yihe, Alaskan Jack's, and Yihe Seafood under Debtor's direction and control.

25 16. In or about May to June 2018, Debtor caused both Yihe and Alaskan Jack's to sell  
26  
27

28 <sup>4</sup> The guarantees each provide that the guarantor is obligated to pay all of Sallyport's  
attorney's fees and costs arising out of or related to the guaranty. Plaintiff has employed  
Levinson Arshonsky & Kurtz, LLP in connection with this matter.

and assign to Plaintiff the Accounts, summarized in Table 1 and Table 2 below, arising from Yihe and Alaskan Jack's apparent sale of frozen seafood products to Account Debtor, Shuangyi Int'l Trading Co., Inc., a California corporation ("Shuangyi") (the "Subject Accounts"). Attached hereto as **Exhibit "A"** are purchase orders, bills of lading, and invoices, dated from in or about May 31, 2018 to June 29, 2018, which Plaintiff received from Alaskan Jack's and Yihe in connection with the Subject Accounts.

Table 1: Alaskan Jack's Invoices to Shuangyi			
Invoice No.	Delivery Date	Invoice Date	Balance
-260	May 31, 2018	May 31, 2018	\$ 160,332.00
-265	June 12, 2018	June 12, 2018	\$ 173,730.00
-270	June 15, 2018	June 15, 2018	\$ 172,416.00
-278	June 28, 2018	June 28, 2018	\$ 185,645.40
		SUB-TOTAL	\$ 692,123.40

Table 2: Yihe's Invoices to Shuangyi			
Invoice No.	Delivery Date	Invoice Date	Balance
-183	June 4, 2018	June 4, 2018	\$ 195,624.00
-185	June 6, 2018	June 6, 2018	\$ 195,028.20
-190	June 26, 2018	June 27, 2018	\$ 188,496.00
-193	June 29, 2018	June 29, 2018	\$ 190,560.00
		SUB-TOTAL	\$ 769,708.20

17. At various times in 2017, and to induce Sallyport to advance funds under the Financing Agreements in connection with the Subject Accounts, Yihe and Alaskan Jack's presented to Sallyport proof of Euler Hermes credit insurance policies held by Yihe and Alaskan Jack's with respect to their Accounts due from Shuangyi. The credit insurance policies, subject to their terms, would insure against the risk of Shuangyi's failure to pay for the frozen seafood that Yihe and Alaskan Jack's would sell to Shuangyi. In November 2017, Yihe, by and through Debtor and/or Rita, presented to Sallyport a written confirmation indicating that Euler Hermes had agreed to insure Accounts due from Shuangyi up to a credit limit of \$1,000,000. A copy of the written credit limit confirmation that Sallyport received from Yihe on or about November 15, 2017 is attached hereto as **Exhibit "B"** and incorporated herein by this reference. Similarly, in December 2017, Rita presented to Sallyport a confirmation indicating that Alaskan Jack's held a Euler Hermes credit insurance

1 policy with a credit insurance limit of \$850,000.00 for Accounts due from Shuangyi. A copy of  
2 Rita's email to Sallyport, by which she forwarded the credit limit confirmation, dated December 26,  
3 2017, is attached hereto as **Exhibit "C"** and incorporated herein by this reference.

4 18. In reliance on the written credit insurance confirmations and other documentation that  
5 Debtor and Rita provided to Sallyport regarding the Subject Accounts, Sallyport advanced funds, at  
6 Yihe and Alaskan Jack's request, to Premium Fish, Inc., a California corporation doing business as  
7 Safexpress Logistics Services ("Premium Fish"), to pay Premium Fish to supply the seafood that  
8 Shuangyi had ordered in connection with the Subject Accounts.

9 19. After receiving the advance, Debtor or his agents, including Rita, presented to  
10 Sallyport the invoices and bills of lading included in **Exhibit "A"** to this Complaint, with the intent  
11 to evidence for Sallyport the delivery of the frozen seafood to Shuangyi in connection with the  
12 Subject Accounts.

13 20. On receipt of this proof, Sallyport also communicated with Shuangyi (i) to confirm  
14 that Shuangyi had accepted the seafood products sold by Alaskan Jack's and Yihe and (ii) to confirm  
15 that the amount, stated by Alaskan Jack's and Yihe as due for the seafood products, was correct. In  
16 various communications between Sallyport and Shuangyi concerning the Subject Accounts,  
17 Shuangyi confirmed its receipt and acceptance of the seafood products. By way of example, on June  
18 20, 2018, Sallyport emailed Kris Z., an employee or officer of Shuangyi, requesting confirmation of  
19 Shuangyi's receipt of the goods sold under Alaskan Jack's invoices -260 and -265 and Yihe invoices  
20 -183 and -185. Kris Z. responded on June 20, 2018 by email, advising Sallyport, "Checked the  
21 record, yes, we received both 4 orders already. Thank you!" Similarly, on June 27, 2018, when  
22 Sallyport inquired of Shuangyi to confirm that Shuangyi would be paying Yihe's invoice -183, Kris  
23 Z. responded, "Yes. Adam [principal of Shuangyi] is working on the payment now." A sample of  
24 these communications by which Shuangyi verified to Sallyport its acceptance of the goods sold  
25 under the Subject Accounts is attached hereto collectively as **Exhibit "D"** and incorporated herein  
26 by this reference.

27 21. In February 2017 and October 2017, Sallyport had provided Shuangyi with a written  
28 notice of the assignment of the Subject Accounts to Sallyport, directing Shuangyi to pay such

1 Accounts directly to Sallyport. In its May and June 2018 communications with Shuangyi, Sallyport  
2 again instructed Shuangyi to make payments directly to Sallyport on the Subject Accounts.

3 22. Despite its confirmation of the receipt of the frozen seafood from Yihe and Alaskan  
4 Jack's, Shuangyi failed to pay Sallyport, in full, for the Subject Accounts at issue here.<sup>5</sup>

5 23. Following the payment default, Sallyport verified that Euler Hermes had, at one time,  
6 issued credit insurance policies to Yihe and Alaskan Jack's but that the credit limits under those  
7 policies as to Shuangyi were never higher than \$400,000.00. Plaintiff is informed and believes, and  
8 on that basis alleges, that the written confirmations of credit limits in the range of \$850,000.00 and  
9 \$1,000,000.00 that Debtor and/or Rita, acting at Debtor's direction, caused to be presented to  
10 Sallyport in November and December 2017 regarding Shuangyi were materially false.<sup>6</sup>

11 24. Then, in or about September 2018, Shuangyi purported to return the frozen seafood  
12 sold by Yihe and Alaskan Jack's to Premium Fish, disputing the quality of the frozen seafood. By  
13 email correspondence, dated September 4, 2018, Kris Zhou of Shuangyi notified Sallyport that  
14 Shuangyi was returning 30,457 cases of frozen seafood. Based on the returns, Shuangyi demanded  
15 an approximate \$1.4 million offset against the amounts due under the Subject Accounts that  
16 Sallyport had purchased. Sallyport objected to the return. A true and correct copy of Kris Zhou's  
17 September 4, 2018 email is attached hereto as **Exhibit "E"** and incorporated herein by this  
18 reference.

19 25. After further investigation, Sallyport discovered that Debtor served as the Chief  
20 Executive Officer and Director of a California corporation, called Global Fishery Corporation  
21 \_\_\_\_\_

22 <sup>5</sup> In April 2019, Sallyport obtained a default judgment against Shuangyi for balances due  
23 unpaid Subject Accounts in *Sallyport Commercial Finance, LLC v. Shuangyi Int'l Trading*  
*Co., Inc.* (U.S.D.C. Central District of California, Case No. 2:18-cv-09007).

24 <sup>6</sup> In or about June 2018, Debtor and/or Rita, acting at Debtor's direction, caused a purported  
25 Euler Hermes credit limit confirmation of \$250,000.00 for Account Debtor, Jingyin North  
26 America Enterprise, Ltd., to be presented in writing to Sallyport to induce Sallyport to  
27 advance funds in purchase of Accounts due from the Account Debtor. Plaintiff is informed  
28 and believes, and on that basis alleges, that the written confirmation of credit limit in the  
range of \$250,000.00 was overstated and false. On recent further investigation, Sallyport was  
able to confirm that this Account Debtor received only a temporary credit limit approval of  
no more than \$35,000.00 under a Euler Hermes policy held by Yihe and that Euler Hermes  
had entirely withdrawn such credit limit and disapproved coverage for this Account Debtor  
months before Debtor and/or Rita, acting at Debtor's direction, caused the purported  
\$250,000.00 credit limit confirmation to be presented to Sallyport.



1 (“Global Fishery”), and that, like Yihe and Alaskan Jack’s, Global Fishery supplied seafood to its  
2 customers on a wholesale basis. Plaintiff further learned that Global Fishery was organized in  
3 California as early as October 2014 and that Global Fishery was supplying seafood to Shuangyi  
4 during the same time that Yihe and Alaskan Jack’s were supplying frozen seafood to Shuangyi.  
5 Debtor failed to disclose to Sallyport that he was simultaneously supplying Shuangyi or any other  
6 Account Debtor through each of Yihe, Alaskan Jack’s, and Global Fishery. Plaintiff is informed and  
7 believes, and on that basis alleges that, Debtor, as a controlling officer, manager or principal of  
8 Global Fishery, was in a position to improperly authorize Shuangyi to offset against the Subject  
9 Accounts due Sallyport, including, but not limited to, by the return to Alaskan Jack’s or Yihe of  
10 frozen seafood products sold to Shuangyi by Global Fishery, and Plaintiff’s investigation in this  
11 regard is ongoing.

12 **DEBTOR’S WRONGFUL DIVERSION OF**  
13 **COLLECTIONS ON ACCOUNTS**

14 26. Under the terms of the Financing Agreements, Sallyport had the sole right to collect  
15 the Accounts generated by Debtor’s businesses, Yihe, Alaskan Jack’s, and Yihe Seafood. In  
16 connection with its funding of the purchase order and factoring facilities, Sallyport notified the  
17 Account Debtors of Yihe, Alaskan Jack’s, and Yihe Seafood to pay all amounts due on the Accounts  
18 to Sallyport.

19 27. On August 30, 2018, Michael Tam, purporting to act on behalf of Yihe and at  
20 Debtor’s direction, emailed Yihe’s Account Debtor, Perishable Distributors of Iowa, Ltd., an Iowa  
21 company (“PDI”), under the account, mtam@yihecorp.com, copying Debtor, to improperly instruct  
22 PDI to change the remittance address for payments on Yihe’s Accounts from Sallyport’s payment  
23 address to the address which Debtor has listed as its principal residence in his bankruptcy schedules  
24 in the present Chapter 7 case. Mr. Tam’s email provided,

25 “Our payment remit to have made some changes [*sic*] and my accounting  
26 want me to contact you and PDI to help us confirm the changes. Please  
27 send any pending payment to below address starting today and for any  
28 outstanding orders. YIHE CORPORATION, 15447 TETLEY ST.,

1 HACIDENA [sic] HEIGHTS CA 91745 Please confirm if this has  
2 updated. Thank you very much.”

3 Attached hereto as **Exhibit “F”** and incorporated herein by this reference is a true and correct copy  
4 of the Mr. Tam’s email to PDI.

5 28. As a result of these improper payment instructions, in or about September 2018 and  
6 October 2018, Debtor and or his businesses received and negotiated checks from PDI on Accounts  
7 due to be paid to Sallyport under the Financing Agreements. Debtor failed to cause the proceeds of  
8 those checks to be remitted to Sallyport. Attached hereto collectively as **Exhibit “G”** and  
9 incorporated herein by this reference are true and correct copies of the checks issued by PDI and  
10 diverted by Yihe.

11 29. Plaintiff is informed and believes, and based thereon alleges that, Debtor has similarly  
12 caused Yihe, Alaskan Jack’s, and/or Yihe Seafood to improperly instruct Account Debtor, Weis  
13 Markets, Inc., a Pennsylvania corporation, to remit payments, otherwise due to Sallyport on the  
14 Accounts of Yihe, Alaskan Jack’s, and/or Yihe Seafood, to an address controlled by Debtor and that  
15 Debtor has converted such payments and has failed to remit them to Sallyport.

16 **DEBTOR’S MISREPRESENTATIONS REGARDING HIS CONTROL OVER PREMIUM**  
17 **FISH AND PREMIUM FISH’S SIPHONING OF FUNDS FROM YIHE, ALASKAN JACK’S,**  
18 **AND YIHE SEAFOOD**

19 30. As discussed *supra*, Premium Fish supplied frozen seafood inventory to Yihe,  
20 Alaskan Jack’s, and Yihe Seafood.

21 31. Under the Financing Agreements, Sallyport was the exclusive factor for Yihe,  
22 Alaskan Jack’s, and Yihe Seafood, supplying both the purchase order financing and factoring facility  
23 for the Accounts arising from their sale of frozen seafood. At various points, Yihe, Alaskan Jack’s,  
24 and Yihe Seafood directed Plaintiff to advance funds under the facilities directly to Premium Fish  
25 for Premium Fish’s supply of frozen seafood inventory to Yihe, Alaskan Jack’s, and Yihe Seafood.

26 32. Plaintiff is also informed and believes, and based thereon alleges, that Premium Fish  
27 also enjoyed a licensing agreement with both Alaskan Jack’s and Yihe by which it could source,  
28 market, and distribute frozen seafood inventory sold under the trademarks referenced above. Under

1 the licensing agreements, Premium Fish was obligated to pay Alaskan Jack's and Yihe a 3% royalty  
2 on Premium's sales of the frozen seafood products under the trademarks. Attached hereto as  
3 **Exhibits "H" and "I"** are true and correct copies of alleged trademark licensing agreements that  
4 Plaintiff received from Alaskan Jack's and Yihe.

5 33. Because Sallyport was advancing purchase order financing to pay for the seafood that  
6 Premium Fish supplied to Yihe and Alaskan Jack's, the balance of any account between Yihe and  
7 Alaskan Jack's and Premium Fish should have stood in Yihe's and Alaskan Jack's favor, with  
8 Premium Fish owing money to Yihe and Alaskan Jack's for royalties due under the trademark  
9 licensing agreements.

10 34. Nevertheless, from in or about January 2018 to June 2018, Premium Fish received  
11 numerous six-figure wires/withdrawals from Yihe's checking account, including the following: (i)  
12 \$33,000.00 from Yihe's checking account on January 29, 2018, (ii) \$31,500.00 from Yihe's  
13 checking account on March 23, 2018, (iii) \$28,900.00 from Yihe's checking account on April 5,  
14 2018, (iv) \$14,000.00 from Yihe's checking account on April 11, 2018, (v) \$29,000.00 from Yihe's  
15 checking account on April 16, 2018, (vi) \$12,500.00 from Yihe's checking account on April 18,  
16 2018, (vii) \$18,000.00 from Yihe's checking account on May 2, 2018, (viii) \$33,500.00 from Yihe's  
17 checking account on May 11, 2018, (ix) \$30,500.00 from Yihe's checking account on May 15, 2018,  
18 (x) \$23,000.00 from Yihe's checking account on June 1, 2018, and (xi) \$25,000.00 on June 6, 2018.

19 35. During this same time, Sallyport was both (i) advancing funds directly to Premium  
20 Fish, at Yihe's direction, for Premium Fish's supply of the frozen seafood to Yihe and (ii) Sallyport  
21 was advancing funds to Yihe in purchase of Accounts arising from the sale of that frozen seafood to  
22 the Account Debtors under Yihe's Accounts. In hindsight, it now appears that Debtor and his agents  
23 behind Premium Fish were also controlling the affairs of Yihe to the benefit of Premium Fish and to  
24 the detriment of Yihe and its creditors. Premium Fish was (i) receiving Sallyport's initial advance for  
25 payment of the frozen seafood inventory and (ii) then siphoning from Yihe's checking account the  
26 additional advance that Sallyport had deposited to Yihe's checking account. As a result of Premium  
27 Fish's actions, it left Sallyport's debtor, Yihe, as a depleted shell unable to meet its obligations to its  
28 creditors.

1           36. In fact, when examining the bank account records of Yihe, Alaskan Jack's, and Yihe  
2 Seafood in 2018, patterns emerge of substantial wires from each of Yihe, Alaskan Jack's, and Yihe  
3 Seafood's bank accounts to Premium Fish. The wires to Premium Fish often occurred shortly after  
4 the deposits of Sallyport's advances to Alaskan Jack's and Yihe's checking accounts. The wire  
5 amounts far exceed any residual amounts that might have been remained due Premium Fish, after  
6 Sallyport's advances to Premium Fish, for its supply of frozen seafood to Yihe, Alaskan Jack's, or  
7 Yihe Seafood.

8           37. On or about November 1, 2016, Sallyport's representatives questioned Chen about  
9 the relationship between his businesses, Yihe Alaskan Jack's, Yihe Seafood, and Premium Fish. In  
10 the conversation, Sallyport's representatives brought to Chen's attention that Rita used a personal  
11 cell phone number that was also published as Premium Fish's business telephone number. During  
12 the meeting, Chen and Rita told Sallyport that Rita had helped Premium Fish set up its business, but  
13 that Rita and Chen were not otherwise involved with Premium Fish.

14           38. On or about June 27, 2018, Chen and Rita visited Sallyport's California office and,  
15 when questioned again about the relationships between Yihe, Alaskan Jack's, Yihe Seafood, and  
16 Premium Fish, Chen and Rita stressed there was nothing other than an arms-length relationship  
17 between the Premium Fish and Yihe, Alaskan Jack's, and Yihe Seafood.

18           39. Chen again affirmed no relationship with Premium Fish in conversations with Emma  
19 Hart of Sallyport on or about July 7, 2018 and September 4, 2018.

20           40. Plaintiff is informed and believes, and based thereon alleges that, in reality, Debtor,  
21 directly and through Rita, as his agent, was actively managing Premium Fish's operations during the  
22 time period that Chen and Rita represented to Sallyport that Yihe, Yihe Seafood, Alaskan Jack's and  
23 Premium Fish were independent entities engaged in arms-length transactions.

24           41. Plaintiff is informed and believes, and based thereon alleges, that, despite his  
25 representations to the contrary to Sallyport, at all times herein mentioned, Debtor is and/or was a  
26 member, managing member, manager, officer, director, and/or employee of Premium Fish, and that  
27 Debtor controlled these entities' business operations, records, and decisions, directly and by and  
28 through Rita, as his agent.

1           42. In March 2019, in the litigation, *Creditors Adjustment Bureau, Inc. v. Premium Fish,*  
2 *Inc.* (Los Angeles County Superior Court Case No, LC107559), the plaintiff-creditor filed with the  
3 state superior court revealing various agreements and emails, dated from about March to May 2017,  
4 in which Rita is listed as a contact person for Premium Fish and in which she is found corresponding  
5 with the plaintiff-creditor solely on behalf of Premium Fish.

6           43. Plaintiff is further informed and believes, and based thereon alleges, (i) that Rita's  
7 mother, Arlene Balducki, is the CEO of Premium Fish, and (ii) that, in 2013, Debtor's spouse, Yiquan  
8 Ren, served as the agent for service of process for Premium Fish. Neither relationship was disclosed  
9 to Sallyport by either Debtor or Rita.

10           44. Plaintiff is further informed and believes, and based thereon alleges, that at all times  
11 herein mentioned, while Chen falsely assured Sallyport that no familial relationship or common  
12 management existed between Yihe, Alaskan Jack's, and Premium Fish, Chen nevertheless employed  
13 his dual authority over Sallyport's debtors and Premium Fish to divert funds from Yihe, Alaskan  
14 Jack's, and Yihe Seafood to and for the benefit of Premium Fish and its employees and principals, to  
15 the detriment of Sallyport and the other creditors of Yihe, Alaskan Jack's, and Yihe Seafood. By his  
16 representations and omissions to Sallyport regarding Yihe, Alaskan Jack's, and Yihe Seafood's  
17 relationships with Premium Fish, Chen fraudulently induced Plaintiff to initially finance and then to  
18 continue financing Yihe, Alaskan Jack's and Yihe Seafood, causing Sallyport monetary losses.

19           45. As of June 20, 2019, Sallyport has incurred losses of, at least, \$1,562,191.97, plus  
20 additional attorneys' fees, costs, and other charges, in connection with the conduct complained of in  
21 this Complaint.

22                           **CHEN'S MATERIAL OMISSIONS**  
23                           **FROM HIS BANKRUPTCY SCHEDULES**

24           46. Debtor's Voluntary Petition initiating the Chapter 7 bankruptcy case [Doc 1] was an  
25 individual petition and did not identify a joint debtor.

26           47. With the Voluntary Petition, Debtor signed a Declaration, under penalty of perjury,  
27 declaring that the information provided in the Petition was true and correct.

28           48. Debtor filed his Bankruptcy Schedules and Statement of Financial Affairs with the

1 Voluntary Petition [Doc 1] on the Petition Date.

2 49. With the Bankruptcy Schedules, Debtor signed a Declaration concerning his  
3 schedules, under penalty of perjury, declaring that all of the information in the summary and  
4 schedules were true and correct.

5 50. At Item 19 in Debtor's Schedule A/B (Property), Debtor reported that he owned 25%  
6 of Yihe Corporation, a California corporation. Debtor failed to disclose in his Schedule A/B or in is  
7 Statement of Financial Affairs any other non-publicly traded stock or interests in incorporated or  
8 unincorporated businesses.

9 51. In connection with the above-referenced financing facility and to induce Sallyport to  
10 advance funds thereunder, Chen represented to Sallyport that, in or about April 2014, Chen received  
11 from Ren Dunxu and Zhao Qing a transfer of 5,000 total shares in Ocean Eclipse Industry Limited, a  
12 British Virgin Islands company ("Ocean Eclipse BVI"). To evidence the transfer of shares, Chen  
13 provided to Sallyport the Instruments of Transfer attached hereto as **Exhibit "J."** Chen further  
14 represented himself to Sallyport as director of Ocean Eclipse BVI, presenting to Sallyport the  
15 resolutions of Ocean Eclipse BVI, attached hereto as **Exhibit "K,"** by which Chen was appointed as  
16 director of Ocean Eclipse BVI.

17 52. In his current bankruptcy schedules and Statement of Financial Affairs, Chen fails to  
18 disclose his interest in Ocean Eclipse BVI, his role as director of Ocean Eclipse BVI, or any income  
19 that he is earning from the business.

20 53. In connection with the above-referenced financing facility and to induce Sallyport to  
21 advance funds thereunder, Chen, acting as purported president of Qingdao Hairong Foodstuff Co.,  
22 Ltd. ("Qingdao Hairong Foodstuff"), executed a guarantee of the obligations of Yihe Corporation to  
23 Sallyport. Plaintiff is informed and believes, and based thereon alleges, that Qingdao Hairong  
24 Foodstuff is, and at all relevant times hereto was, a Chinese company with its principal place of  
25 business in California. Plaintiff is informed and believes, and based thereon alleges, that at all  
26 relevant times hereto, Chen has served as Qingdao Hairong Foodstuff's president.

27 54. In his current bankruptcy schedules and Statement of Financial Affairs, Chen fails to  
28 disclose his employment as President of Qingdao Hairong Foodstuff or any income that he is earning

1 from the business or any related entities. At the initial meeting of creditors in the underlying Chapter  
2 7 bankruptcy, Chen indicated that Qingdao Hairong Foodstuff, along with another Chinese entity  
3 over which Chen apparently exercised some control, Qingdao Hairong Import & Export Co., Ltd.,  
4 had stopped operating as of 2013; Plaintiff's investigation of the status of these entities is ongoing.

5 55. In Part 1 of Debtor's Schedule I (Your Income), Debtor reported that he was  
6 unemployed and that he, personally, had no monthly wages, salary, or commissions. At the same  
7 time, Debtor reports that his non-filing spouse, Yiqun Ren, was employed as the manager of "Alaska  
8 Jack Seafood," earning gross wages, salary or commissions of \$6,250.00 monthly, and that Debtor  
9 expected an increase in her income, indicating "[h]opefully a raise this year."

10 56. Plaintiff is informed and believes, and based thereon alleges, that the "Alaska Jack  
11 Seafood" referenced in the Schedule I is Alaskan Jack's Seafood Corporation, an Alaskan  
12 corporation ("Alaskan Jack's") with its principal place of business in the City of Industry, Los  
13 Angeles County, California. In connection with the above-referenced financing facility and to induce  
14 Sallyport to advance funds thereunder, Chen represented to Sallyport, in or about May 2016 and  
15 thereafter, that he held a power of attorney as "General Manager" to run Alaskan Jack's Seafood  
16 Corporation on behalf of its president, Labana Li. In support of this representation, Chen provided to  
17 Sallyport, in or about May 2016, the Power of Attorney attached hereto as **Exhibit "L,"** by which  
18 Chen is appointed as manager over Alaskan Jack's operations. Since the occurrence of the defaults  
19 under the Financing Facility, Chen has represented to Sallyport that Alaskan Jack's has closed its  
20 doors. However, Debtor indicates in his Schedule I that Alaskan Jack's is still operating and that his  
21 wife is receiving income from the business with the expectation of a raise. To the extent Alaskan  
22 Jack's continues to operate, generating Accounts, those Accounts remain subject to Sallyport's  
23 security interest and are properly payable only to Sallyport; however, Sallyport is not receiving such  
24 collections, and Debtor is improperly diverting collections on the Accounts.

25 57. In his current bankruptcy schedules and Statement of Financial Affairs, Chen fails to  
26 disclose either his employment as manager of Alaskan Jack's or any income that he is earning from  
27 the business.

28 58. As alleged *supra*, Plaintiff is informed and believes, and based thereon alleges, that,

1 at all times herein mentioned, Chen served as officer, general manager, or authorized agent on behalf  
2 of Global Fishery.

3 59. In his current bankruptcy schedules and Statement of Financial Affairs, Chen fails to  
4 disclose either his employment or his wife's employment with Global Fishery, and he fails to  
5 disclose any income that he or his wife is earning from the business. Chen acknowledged at his  
6 initial meeting of creditors in the underlying bankruptcy case that he is currently employed with  
7 Global Fishery. However, Chen has not disclosed that income in his bankruptcy schedules.

8 60. As alleged *supra*, Plaintiff is informed and believes, and based thereon alleges, that,  
9 at all times herein mentioned, Chen served as officer, general manager, or authorized agent on behalf  
10 of Premium Fish, in control of, among other things, Premium Fish's bank accounts.

11 61. Plaintiff is further informed and believes, and based thereon alleges, that, at all times  
12 herein mentioned, Debtor's non-filing spouse, Yiqun Ren, has been an officer, manager, employee,  
13 or authorized agent of Premium Fish.

14 62. In his current bankruptcy schedules and Statement of Financial Affairs, Chen fails to  
15 disclose either his employment or his wife's employment with Premium Fish, and he fails to disclose  
16 any income that he or his wife is earning from the business.

17 63. Plaintiff's investigation is continuing, and other omissions from the bankruptcy  
18 schedules and concealment of business interests and assets, along with further evidence of Debtor's  
19 failure to maintain records regarding his business transactions, will likely be revealed through  
20 discovery in this matter.

21 **FIRST CLAIM FOR RELIEF**

22 **(For Denial of Discharge for Knowingly and Fraudulently Making a**  
23 **False Oath of Account Pursuant to 11 U.S.C. §727(a)(4))**

24 64. Plaintiff realleges and incorporates paragraphs 1 through 63, *supra* as though fully set  
25 forth herein.

26 65. Pursuant to Bankruptcy Code §727(a)(4), a debtor's discharge may be denied where  
27 "the debtor knowingly and fraudulently, in or in connection with the case—(A) made a false oath or  
28 account...."



1           66. Plaintiff is informed and believes and thereon alleges that Debtor knowingly,  
2 fraudulently, and repeatedly made false oaths or accounts in his bankruptcy proceedings regarding  
3 his business interests and current income. Specifically, Debtor represented in his Voluntary Petition  
4 and Schedules that he was unemployed and lacked income, individually.

5           67. Debtor's representations to Sallyport in connection with the financing facility issued  
6 by Sallyport to Alaskan Jack's, Yihe, and Yihe Seafood confirm that Debtor has been (i) a  
7 shareholder and president of Yihe Corporation, a California corporation ("Yihe"), (ii) the General  
8 Manager of Alaskan Jack's Seafood Corporation, an Alaskan corporation ("Alaskan Jack's"), (iii)  
9 the president of Yihe Seafood Corporation, a British Columbian company ("Yihe Seafood"), (iv)  
10 shareholder and director of Ocean Eclipse Industry Limited, a British Virgin Islands company, and  
11 (vi) president of Qingdao Hairong Foodstuff Co., Ltd., a Chinese company. Of these entities, only  
12 Yihe Corporation was disclosed in Debtor's bankruptcy schedules.

13           68. Plaintiff is further informed and believes, and based thereon alleges, that, at all times  
14 herein mentioned, Chen served as officer, general manager, or authorized agent on behalf of Global  
15 Fishery and Premium Fish, in control of, among other things, Global Fishery's business operations  
16 and Premium Fish's bank accounts. As alleged *supra*, Plaintiff is further informed and believes, and  
17 based thereon alleges, that, at all times herein mentioned, Debtor's spouse, Yquen Ren, has served as  
18 an officer, manager, employee, or authorized agent of Premium Fish.

19           69. In his current bankruptcy schedules and Statement of Financial Affairs, Chen fails to  
20 disclose his interest in Global Fishery or either his employment or his wife's employment with  
21 Premium Fish, and he fails to disclose any income that he or his wife is earning from these  
22 businesses.

23           70. Plaintiff is informed and believes that Debtor failed to list his income derived from  
24 these entities and his interests in these entities, which interest and income Plaintiff is in the midst of  
25 investigating.

26           71. By his acts described herein, the Debtor swore to a false oath or account within the  
27 meaning of 11 U.S.C. §727(a)(4). Accordingly, Debtor's discharge should be denied.

28 ///

**SECOND CLAIM FOR RELIEF**

**(For Denial of Discharge for Concealment of Estate**

**Property Pursuant to 11 U.S.C. §727(a)(2))**

72. Plaintiff realleges and incorporates paragraphs 1 through 72, *supra* as though fully set forth herein.

73. Pursuant to Bankruptcy Code §727(a)(2), a debtor's discharge may be denied where "the debtor, with the intent to hinder, delay or defraud a creditor or officer of the estate charged with custody of property under this title, has transferred, removed, destroyed, mutilated or concealed, or has permitted to be transferred, removed, destroyed, mutilated or concealed - (A) property of the debtor, within one year before the date of the filing of the petition; or (B) property of the estate, after the date of the filing of the petition."

74. Plaintiff is further informed and believes and based thereon alleges that Debtor, with the intent to hinder, delay or defraud a creditor or officer of the estate, has or has permitted to be concealed property of the estate by, among other things, (i) knowingly, fraudulently declaring in his bankruptcy schedules that he is unemployed and failing to disclose his interest in entities, such as Premium Fish, thereby concealing income or other assets to which the estate is entitled and (ii) causing the assets of his declared business, Yihe, among others, to be transferred to other businesses which he has concealed, including but not limited to Premium Fish, thereby concealing income or other assets to which the estate is entitled.

75. By his acts described herein, the Debtor, with intent to hinder, delay or defraud a creditor or an officer of the estate, has transferred, removed, destroyed, or concealed, or has permitted to be transferred, removed, destroyed, or concealed property of the debtor, within one year before the date of the filing of the petition, within the meaning of 11 U.S.C. §727(a)(2). Accordingly, Debtor's discharge should be denied.

**THIRD CLAIM FOR RELIEF**

**(For Denial of Discharge for Concealment, Destruction, or Failure to Preserve**

**the Debtor's Books and Records Pursuant to 11 U.S.C. §727(a)(3))**

76. Plaintiff realleges and incorporates paragraphs 1 through 75, *supra* as though fully set

1 forth herein.

2 77. Pursuant to Bankruptcy Code §727(a)(3), a debtor's discharge may be denied where  
3 "the debtor has concealed, destroyed, mutilated, falsified, or failed to keep or preserve any recorded  
4 information, including books, documents, records, and papers, from which the debtor's financial  
5 condition or business transactions might be ascertained, unless such act or failure to act was justified  
6 under all of the circumstances of the case."

7 78. Plaintiff is informed and believes and based thereon alleges that Debtor is the alter  
8 ego of Alaskan Jack's, Yihe, Yihe Seafood, Global Fishery, and Premium Fish in that Debtor  
9 dominated the affairs of these entities, there existed a unity of interest and ownership existed  
10 between Debtor and these entities, these entities were mere shells and naked frameworks for Debtor  
11 and his manipulations, Debtor diverted these entities' income and/or other assets for his own use,  
12 Debtor failed to adequately capitalize these entities, Debtor failed to abide by the corporate  
13 formalities for these entities, and the adherence to the fiction of a separate corporate existence  
14 would, under the circumstances, promote injustice and would serve to avoid its/their obligations to  
15 Plaintiff.

16 79. Plaintiff is informed and believes and based thereon alleges that Debtor, without  
17 justification, has concealed, destroyed, mutilated, falsified, or failed to keep or preserve any recorded  
18 information, including books, documents, records, and papers, from which the debtor's financial  
19 condition or business transactions might be ascertained.

20 80. Among other things, Debtor, without substantial justification, has concealed,  
21 destroyed, mutilated, falsified, or failed to keep or preserve any recorded information, including  
22 books, documents, records, and papers regarding his true interests in property/assets of Global  
23 Fishery and/or Premium Fish.

24 81. Plaintiff is further informed and believes, and based thereon alleges, that Debtor,  
25 without substantial justification, has concealed, destroyed, mutilated, falsified, or failed to keep or  
26 preserve any recorded information, including books, documents, records, and papers of Alaskan  
27 Jack's, Yihe, Yihe Seafood, Global Fishery, or Premium Fish, and any interests in real property,  
28 personal property, inventory, equipment, and other interests held by them to which the bankruptcy

1 estate may have an interest.

2 82. Plaintiff is further informed and believes, and based thereon alleges, that Debtor,  
3 without substantial justification, has concealed, destroyed, mutilated, falsified, or failed to keep or  
4 preserve recorded information, including books, documents, records, and papers relate to the nearly  
5 \$99 million in unsecured obligations alleged in his bankruptcy schedules or regarding the business  
6 transactions and assets which supported the issuance of such an enormous amount of credit to  
7 Debtor.

8 83. By his acts described herein, the Debtor has failed, without substantial justification, to  
9 keep or preserve recorded information, including books, records, and papers, from which Debtor's  
10 financial condition or business transactions might be ascertained, within the meaning of 11 U.S.C.  
11 §727(a)(3). Accordingly, Debtor's discharge should be denied.

12 **FOURTH CLAIM FOR RELIEF**

13 **(For Denial of Discharge for Failure to Sufficiently Explain Loss or**  
14 **Deficiency of Assets Pursuant to 11 U.S.C. §727(a)(5))**

15 84. Plaintiff realleges and incorporates paragraphs 1 through 83, *supra* as though fully set  
16 forth herein.

17 85. Pursuant to Bankruptcy Code §727(a)(5), a debtor's discharge may be denied where  
18 "the debtor has failed to explain satisfactorily, before determination of denial of discharge under this  
19 paragraph, any loss of assets or deficiency of assets to meet the debtor's liabilities."

20 86. Plaintiff is informed and believes and based thereon alleges that Debtor controlled  
21 Alaskan Jack's, Yihe, Yihe Seafood, Global Fishery, and Premium Fish and/or other entities,  
22 including but not limited to their business operations, records, and assets, and has a pecuniary  
23 interest in those entities' assets.

24 87. Plaintiff is informed and believes and based thereon alleges that Debtor has failed to  
25 satisfactorily explain the loss of Alaskan Jack's, Yihe, Yihe Seafood, Global Fishery, or Premium  
26 Fish assets, in which he had a pecuniary interest, including their inventory, equipment and accounts  
27 receivable and deficiency of assets to meet his liabilities.

28 88. By his acts described herein, the Debtor has failed to satisfactorily explain any loss of

assets or deficiency of assets to meet Debtor's liabilities, within the meaning of 11 U.S.C. §727(a)(5). Accordingly, Debtor's discharge should be denied.

**FIFTH CLAIM FOR RELIEF**

**(For Determination of Dischargeability of Debt Pursuant to 11 U.S.C. §523(a)(2)(B))**

89. Plaintiff realleges and incorporates paragraphs 1 through 88 *supra* as though fully set forth herein.

90. Pursuant to Section 523(a)(2)(B), a debt is excepted from discharge if it is "for money, property, services, or an extension, renewal, or refinancing of credit, to the extent obtained by - (B) use of a statement in writing—(i) that is materially false; (ii) respecting the debtor's or an insider's financial condition; (iii) on which the creditor to whom the debtor is liable for such money, property, services, or credit reasonably relied; and (iv) that the debtor caused to be made or published with intent to deceive."

91. Plaintiff is informed and believes and based thereon alleges that from, at least, approximately January 2018 to June 2018, Debtor obtained money and/or received continued financing on behalf of Alaskan Jack's and Yihe from Plaintiff by, among other things, presenting material false statements in writing regarding Debtor's, Alaskan Jack's, and Yihe's financial condition, including but not limited to false financial statements, communications, credit insurance confirmations.

92. From November 2016 through, at least, June 2018 and the months following, with respect to funding requests made by Debtor to Plaintiff, Debtor continuously, periodically, and falsely reported and represented to Plaintiff that Alaskan Jack's, Yihe, and Premium Fish were completely separate entities involving separate assets, collaterals, Accounts, financial dealings, and transactions and that there were no setoffs being made on any of their Accounts with respect to each of the entities and with Account Debtors.

93. Specifically, Plaintiff is informed and believes, and based thereon alleges, that Debtor presented Plaintiff with purchase orders, bills of lading, and invoices for the Subject Accounts, for funding, on behalf of both Alaskan Jack's and Yihe, which were not eligible for funding and which Debtor knew were not eligible for funding at the time Debtor presented them because, among other

1 things, they did not enjoy the credit insurance coverage up to the limits as represented by Debtor and  
2 or his agents and/or Debtor knew that Shuangyi would not pay the invoices in the amounts as stated  
3 on the invoices due, among other reasons, to quality issues with the fish supplied and/or offsets that  
4 Debtor had or would improperly authorize to Shuangyi to take as a result of the dealings between his  
5 other company, Global Fishery and Shuangyi.

6 94. The aforementioned representations by Debtor were materially false and were  
7 knowingly and fraudulently made and/or the truth was concealed.

8 95. The misrepresentations were made at a time when Debtor knew or should have  
9 known them to be false and were made with the intent to deceive Plaintiff and to cause Plaintiff to  
10 incur damages.

11 96. The misrepresentations did actually deceive Plaintiff and induced Plaintiff to advance  
12 money and/or continue to advance money to Alaskan Jack's and Yihe which thereby caused Plaintiff  
13 to suffer a financial loss.

14 97. Plaintiff relief upon the misrepresentations and said reliance was actual and justifiable  
15 under the circumstances. The falsity of the misrepresentations was not and could not have been  
16 readily apparent to Plaintiff.

17 98. But for the Debtor's misrepresentations, Plaintiff would not have advanced the  
18 requested funds against the Subject Accounts, among others, and therefore would have avoided the  
19 financial loss.

20 99. As a proximate result of Debtor's conduct, Plaintiff has suffered damages in an  
21 amount to be determined at trial.

22 100. Accordingly, the debt owed by Debtor to Plaintiff, including but not limited to  
23 pursuant to his guarantee described *supra*, is nondischargeable pursuant to 11 U.S.C. §§523(a)(2)(B)  
24 and 523(c)(1).

25 **SIXTH CLAIM FOR RELIEF**

26 **(For Determination of Dischargeability of Debt Pursuant to 11 U.S.C. §523(a)(2)(A))**

27 101. Plaintiff realleges and incorporates paragraphs 1 through 100, *supra* as though fully  
28 set forth herein.

1           102. Pursuant to Bankruptcy Code §523(a)(2)(A), a debt is excepted from discharge if it is  
2 “for money, property, services, or an extension, renewal, or refinancing of credit, to the extent  
3 obtained by - (A) false pretenses, false representations, or actual fraud, other than a statement  
4 respecting the debtor's or an insider's financial condition ...”

5           103. To the extent that the statements concerning the ineligible invoices are not considered  
6 statements concerning the Debtor's or an insider's financial condition, Plaintiff alternatively alleges  
7 that Debtor through false pretenses, false representations and pursuant to actual fraud, obtained  
8 money and/or received continued financing on behalf of Alaskan Jack's, and Yihe from Plaintiff by,  
9 among other things, presenting ineligible Accounts and/or fraudulent statements, including but not  
10 limited to false credit insurance confirmations with respect to the Accounts of Debtor's businesses,  
11 in order to obtain money and/or an extension, renewal or refinancing of credit from Plaintiff.

12           104. Further, from November 2016 through, at least, June 2018 and the months following,  
13 with respect to funding requests made by Debtor to Plaintiff, Debtor continuously, periodically, and  
14 falsely reported and represented to Plaintiff that Alaskan Jack's, Yihe, and Premium Fish were  
15 completely separate entities involving separate assets, collaterals, Accounts, financial dealings, and  
16 transactions and that there were no setoffs being made on any of their Accounts with respect to each  
17 of the entities and with Account Debtors. In doing so, Debtor, repeatedly and continuously,  
18 represented to Plaintiff that Debtor and its entities had sufficient personal property (including but not  
19 limited to accounts receivable, inventory, and equipment) to serve as Plaintiff's secured collateral  
20 when Debtor knew that said personal property collateral (including the cash of Alaskan Jack's and  
21 Yihe) had and was being dissipated by Premium Fish.

22           105. The representations by Debtor were materially false and were knowingly and  
23 fraudulently made and/or the truth was concealed.

24           106. The misrepresentations were made at a time when Debtor knew or should have  
25 known them to be false and were made with the intent to deceive Plaintiff and to cause Plaintiff to  
26 incur damages.

27           107. The misrepresentations did actually deceive Plaintiff and induced Plaintiff to advance  
28 money and/or continue to advance funds to Yihe, Alaskan Jack's, and Yihe Seafood, which thereby

1 caused Plaintiff to suffer a financial loss.

2 108. Plaintiff relief upon the misrepresentation and said reliance was actual and justifiable  
3 under the circumstances. The falsity of the misrepresentations was not and could not have been  
4 readily apparent to Plaintiff.

5 109. But for the Debtor's misrepresentations, Plaintiff would not have continued to make  
6 advances to Alaskan Jack's, Yihe, and Yihe Seafood, and therefore would have avoided the financial  
7 loss.

8 110. As a proximate result of Debtor's conduct, Plaintiff has suffered damages in an  
9 amount to be determined at trial.

10 111. Accordingly, the debt owed by Debtor to Plaintiff, including but not limited to  
11 pursuant to his guarantee described *supra*, is nondischargeable pursuant to 11 U.S.C. §§523(a)(2)(A)  
12 and 523(c)(1).

13 **SEVENTH CLAIM FOR RELIEF**

14 **(For Determination of Dischargeability of Debt Pursuant to 11 U.S.C. §523(a)(4))**

15 112. Plaintiff realleges and incorporates paragraphs 1 through 111, *supra* as though fully  
16 set forth herein.

17 113. Pursuant to Bankruptcy Code § 523(a)(4) a debt is excepted from discharge on the  
18 basis of Debtor's "embezzlement or larceny."

19 114. Plaintiff is informed and believes and based thereon alleges that Debtor has  
20 wrongfully obtained and deposited payments on Accounts which were assigned for payment to  
21 Plaintiff and used said payments for Debtor's own use and benefit including for use in Debtor's  
22 other entities and financial dealings, including Premium Fish. Said payments should have been held  
23 in trust for Sallyport and for its express benefit or should have been turned over and paid to  
24 Sallyport.

25 115. In or about September 2018 and October 2018, Chen, Yihe, and/or Premium Fish  
26 received and negotiated checks from PDI on Accounts due to be paid to Sallyport under the Yihe  
27 ASPA. Yihe failed to remit the proceeds of those checks to Sallyport.

28 116. Plaintiff is informed and believes and based thereon alleges that Debtor has



wrongfully obtained other collateral (including but not limited to equipment and inventory and payments from Weis Markets, Inc., a Pennsylvania corporation) and used, for his own use and benefit and/or for the benefit of Debtor's other entities, including but not limited to Global Fishery and Premium Fish, which Debtor should have been turned over to Plaintiff.

117. Moreover, Plaintiff is informed and believes and based thereon alleges that Debtor controlled the business dealings, assets, and records of Yihe, Alaskan Jack's, and Premium Fish and as a result used and/or transferred those entities' assets for his own use and benefit and/or for the use and benefit of other entities controlled by him.

118. As a proximate result of Debtor's conduct, Plaintiff has suffered damages in an amount to be determined at trial.

119. Accordingly, the debt owed by Debtor to Plaintiff, including but not limited to pursuant to his guarantee described *supra*, pursuant to 11 U.S.C. §§523(a)(4) and 523(c)(1).

#### **EIGHTH CLAIM FOR RELIEF**

##### **(For Determination of Dischargeability of Debt Pursuant to 11 U.S.C. §523(a)(6))**

120. Plaintiff realleges and incorporates paragraphs 1 through 119, *supra* as though fully set forth herein.

121. Pursuant to Bankruptcy Code § 523(a)(6) a debt is excepted from discharge "for willful and malicious injury by the debtor to another entity or to the property of another entity."

122. As set forth *supra*, Debtor knowingly presented ineligible invoices, with fraudulent supporting credit insurance confirmations, to Plaintiff for funding knowing that the funding would not be repaid and that Plaintiff would sustain substantial financial damages as a result.

123. The misrepresentations were made at a time when Debtor knew or should have known them to be false and were made with the intent to deceive Plaintiff into advancing the funds for use for Debtor's and/or Debtor's insiders benefit and that Plaintiff would incur damages.

124. The misrepresentations did actually deceive Plaintiff and induced Plaintiff to purchase accounts and advance funds to Yihe, Alaskan Jack's, and Yihe Seafood, which thereby caused Plaintiff to suffer a financial loss.

125. By making the misrepresentations and by committing the fraudulent acts alleged

1 *supra*, Debtor had the subjective motive and intent to inflict injury on Plaintiff. Specifically, by  
2 knowingly and fraudulently representing to Plaintiff that the Accounts presented to Plaintiff were  
3 eligible for funding and that the written financial statements, invoices, and other documents were  
4 valid and accurate with the subjective intent of deceiving Plaintiff to continue to lend funds to Yihe,  
5 Alaskan Jack's, and Yihe Seafood to Plaintiff's detriment. Debtor was substantially certain that  
6 Plaintiff would be injured by his actions because he is charged with the natural consequences of  
7 those actions.

8 126. Such actions were maliciously, willfully, and fraudulently committed in conscious  
9 disregard for the Plaintiff's rights and Debtor knew that Plaintiff would be injured since Plaintiff was  
10 unknowingly financing ineligible and/or fraudulent Accounts.

11 127. Debtor committed all injurious acts without just cause or excuse. Rather, the  
12 fraudulent conduct was committed to fraudulently obtain and induce Plaintiff to continue to loan  
13 money and advance funding to Debtor's insider companies, Yihe, Alaskan Jack's, and Yihe Seafood.

14 128. As a proximate result of Debtor's willful and malicious conduct, Plaintiff has suffered  
15 damages in an amount to be determined at trial.

16 129. Accordingly, the debt owed by Debtor to Plaintiff, including but not limited to  
17 pursuant to his guarantee described *supra*, is nondischargeable pursuant to 11 U.S.C. §§523(a)(6)  
18 and 523(c)(1).

19 **PRAYER FOR RELIEF**

20 **WHEREFORE**, Plaintiff prays for judgment as follows:

21 **On the First through Fourth Claims for Relief:**

- 22 (1) Denying Debtor's discharge pursuant to 11 U.S.C. § 727(a)(2), (a)(3), (a)(4) and  
23 (a)(5);

24 **On the Fifth Claim for Relief:**

- 25 (2) Deeming that Debtor's debt to Plaintiff was "obtained by submission of false  
26 financial statements" within the purview of 11 U. S. C. § 523(a)(2)(B);  
27 (3) Excepting Debtor's debt to Plaintiff from discharge under 11 U.S.C. § 523(c)(1);  
28 (4) That Plaintiff have judgment against Debtor in an amount to be determined at trial;

1 On the Sixth Claim for Relief:

- 2 (5) Deeming that Debtor's debt to Plaintiff was "obtained by false pretenses, a false  
3 representation, or actual fraud" within the purview of 11 U. S. C. § 523(a)(2)(A);  
4 (6) Excepting Debtor's debt to Plaintiff from discharge under 11 U.S.C. § 523(c)(1);  
5 (7) That Plaintiff have judgment against Debtor in an amount to be determined at trial;

6 On the Seventh Claim for Relief:

- 7 (8) Deeming that Debtor's debt to Plaintiff was obtained through "larceny or  
8 embezzlement" within the purview of 11 U.S.C. § 523(a)(4);  
9 (9) Excepting Debtor's debt to Plaintiff from discharge under 11 U.S.C. § 523(c)(1);  
10 (10) That Plaintiff have judgment against Debtor in an amount to be determined at trial;

11 On the Eighth Claim for Relief:

- 12 (11) Deeming that Debtor's debt to Plaintiff was obtained through "willful and malicious  
13 injury by the debtor to another entity or the property of another entity" within the  
14 purview of 11 U. S. C. § 523(a)(6);  
15 (12) Excepting Debtor's debt to Plaintiff from discharge under 11 U.S.C. § 523(c)(1);  
16 (13) That Plaintiff have judgment against Debtor in an amount to be determined at trial;

17 On All Claims for Relief:

- 18 (14) For prejudgment interest at the legal rate;  
19 (15) For an award of attorneys' fees and costs;  
20 (16) For costs of suit; and  
21 (17) For such other and further relief as the Court deems just, equitable, and proper.

22 Dated: June 21, 2019

LEVINSON ARSHONSKY & KURTZ, LLP

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24 By: /s/ Lori E. Eropkin

25 LORI E. EROPKIN  
26 Attorneys for Creditor Sallyport Commercial Finance  
27 LLC  
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